

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4428-02  
Bill No.: HB 1489  
Subject: Taxation and Revenue - Property; Property, Real and Personal; Counties  
Type: Original  
Date: February 15, 2012

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Bill Summary: This proposal exempts residential property owned by certain taxpayers 67 years of age or older from increases in assessed valuation and limits increases in their homestead property tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue** state this proposal has no fiscal impact on their agency, but could create an unknown, negative impact on Total State Revenue if political subdivisions are reimbursed through appropriations and may reduce Blind Pension Fund revenues.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

This proposal prohibits increases in assessed valuation of tangible personal property and homestead property for qualifying taxpayers, as well as increases in tax rates for those same taxpayers. The proposal further prohibits increases in property tax payments that exceed the increases in the CPI for those taxpayers. Qualifying taxpayers are those property owners, age 67 or older, with income less than \$40,000, who have lived on the homestead for ten or more years.

This proposal will not directly impact general revenues. To the extent that growth in property tax payments is slowed by this proposal, growth in Blind Pension Fund receipts may also be slowed.

Officials from the **Missouri Tax Commission (TAX)** assume this proposal exempts residential property owned by individuals 67 years of age and older and whose total household income does not exceed \$40,000 from increases in assessed valuation excluding new construction. TAX does not have any information available on the number of property owners who might qualify and is unable to project the revenue impact.

Officials from the **Department of Elementary and Secondary Education** assume there would be some fiscal impact to the state but it would be impossible to determine.

Officials from the **City of St Louis** assume this proposal would cost the Assessor's Office administrative costs for tracking, verifying and administering the eligibility of applicants. The City's Information Technology Services Agency (ITSA) would also incur costs. If the tax rates are capped, ITSA would have to maintain a number of different tax rates for different parcels depending on when the owner turns 67. Initial costs for the Assessor's Office and ITSA would be \$57,000, with annual maintenance costs of \$100,060.

Officials from **St Louis County** assume that so long as the State reimburses the jurisdictions there will be no loss to the jurisdictions.

ASSUMPTION (continued)

To administer the provisions of this proposed legislation, current software would need to be modified to track these individuals, with an estimated one time cost of \$100,000. To maintain this list would require at least a mid range clerk with an annual salary and benefits of \$40,000 / year for each year.

Officials from **Kansas City** assume that although there is a make-whole provision whereby the State will reimburse the City for its reduced tax receipts, this proposal would have an impact on municipal revenue because property assessments would not be current for all property subject to the freeze. Therefore, reimbursement by the State will be after the normal time the City would receive the taxes. Furthermore, a limit on increases in the amount of taxes that can be paid by a qualifying person will reduce receipts if the increase in taxes is greater than the limit provided by the statute.

**Oversight** assumes, based on additional information from the Missouri Tax Commission, that the total assessed valuation of residential property has decreased in the last three assessment cycles. For the purposes of this fiscal note, **Oversight** will assume no revenue losses to political subdivisions resulting from the limits on assessed valuations proposed in this legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Cost - County Assessors - Administrative Costs</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

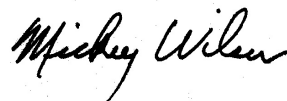
### FISCAL DESCRIPTION

Beginning January 1, 2013, this proposed legislation freezes the assessed valuation of residential property for taxpayers 67 years of age or older with a total household income of up to \$40,000, who own and have lived in their principal residence for at least 10 years. The eligible homeowner's amount of tax due for real property tax cannot exceed the percentage of increase over the previous year in the federal Consumer Price Index. The state will reimburse a political subdivision through appropriations based on the State Auditor's determination of lost revenue from the limitation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
Department of Elementary and Secondary Education  
State Tax Commission  
Cities  
    St Louis  
    Kansas City  
Counties  
    St Louis



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